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Retail Food Sector

Annual

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Report Highlights:

Romania is the second largest Eastern European country in the EU, following Poland. The Romanian retail market is experiencing tremendous growth. According to Eurostat, the Romanian retail trade expanded by 13.9 percent in 2007, or seven times the rate of growth in the European retail market as a whole. While this growth is impressive it is in part due to the low starting point. Only recently has modern retail reached Romanians outside the major cities. 2007 saw a major push of retail chains into smaller Romanian cities. With a greater proportion of the Romanian population having access to modern retail, agri-food imports have surged. Although the EU market is largely closed to U.S. exporters of meat and meat products, promising export prospects remain. The best of these are distilled spirits, almonds, and fruit juice.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Bucharest [RO1]
[RO]

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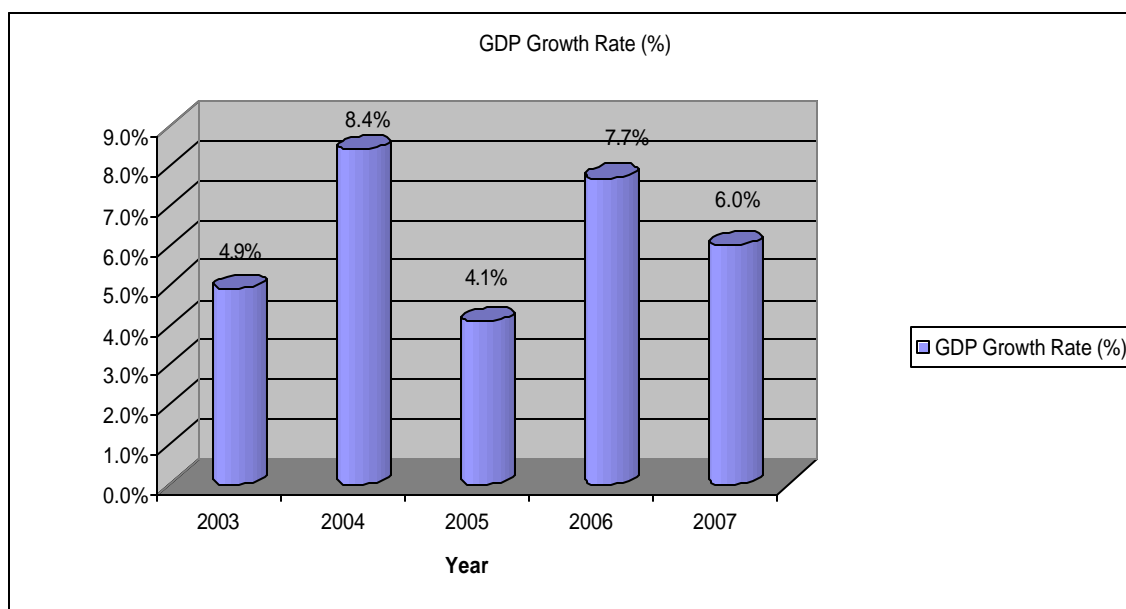
I. MARKET SUMMARY

General Information

Romania has continued its macroeconomic stability and growth. Over the past few years the government has made the necessary economic reforms to gain entrance to the European Union. This monumental event was accomplished on January 1st 2007. As with many of its neighbors, Romania's accession to the EU has lowered the Government appetite for reform. This is likely to dampen long term growth, but with some of the lowest costs in the EU, GDP growth in Romania will likely out perform most of its EU competitors.

The economy continued to grow in 2007, though the rate slowed to 6 percent compared to 7.7 percent in 2006, see Chart 1. The service and construction sectors continue to be the most important engines for growth in Romania.

Chart 1. Gross domestic product growth (percent), 2003-2007



Source: National Institute for Statistics

Romania's economy continues to converge toward European norms. Services now represent about 50 percent of the economy, up from 46 percent in 2004. As the economy expands this number is likely to rise. Agriculture saw its contribution to the national economy shrink yet again. A combination of poor weather conditions and delayed government reforms has seen the agricultural sector (including forestry) decline from 13 percent in 2001 to only 6.6 percent in 2007. Regardless of its relative decline the agricultural sector still employs roughly a third of the population and is therefore important to the overall economic well-being of the country.

Romanian GDP per capita rose to USD 7,800 in 2007 (up from USD 1,585 in 1999), Romania is a middle-income country. As a result of the increasing food-products prices, determined by an extremely low crop production and increasing world prices, the inflation rate rose from 4.9

percent in 2006 to 6.6 percent in 2007. The trade deficit widened by 45 percent in 2007, to USD 29 billion (18 percent of GDP) – tripling in only three years (2004-2007).

Table 1. Romanian Agricultural and Food Trade, USD million, nominal prices

	2002	2003	2004	2005	2006
Agri-Food exports (FOB)	434	568	730	833	1,074
Agri-food imports (CIF)	1,174	1,738	2,042	2,513	3,035
Balance	-740	-1,170	-1,312	-1,680	-1,961
Exports as percentage of imports	37	32.7	35.7	33.1	35.4

Source: Romanian Customs

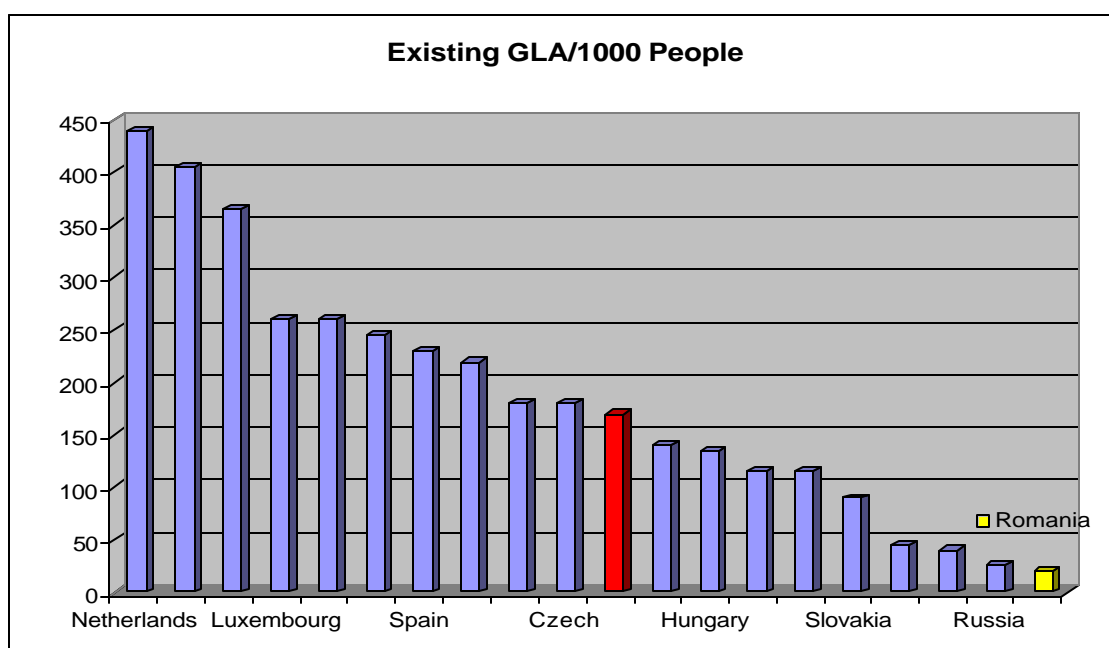
Investors' excitement at the approaching EU integration of Romania was shown by the 74 percent increase in FDI in 2006, reaching USD 13.3 billion. While median estimate of the FDI for 2007 indicates a decrease of USD 2 billion from the 2006 levels, forecast suggest this level of investment will continue over the next few years.

According to data provided by the National Institute for Statistics (Table 2), household expenses allocated for food products purchase continue to have a high percentage in total expenses, although with a slight decrease from a year before.

Retail Market

The Romanian modern retail trade continues to lag neighboring countries. However, with 26 percent growth in the retail sector in 2006, Romania is converging with the economies of central Europe. As the graph below shows Romania's growth is starting from a modest beginning. As of September 2007, Romania has only 25 sqm per 1,000 people of modern retail space as measured by gross leasable area (GLA).

Chart 2. Current Shopping Center Stock/ 1,000 people in EU



Compared to the European average of 170 sqm it is obvious that Romania can continue to expand its retail sector.

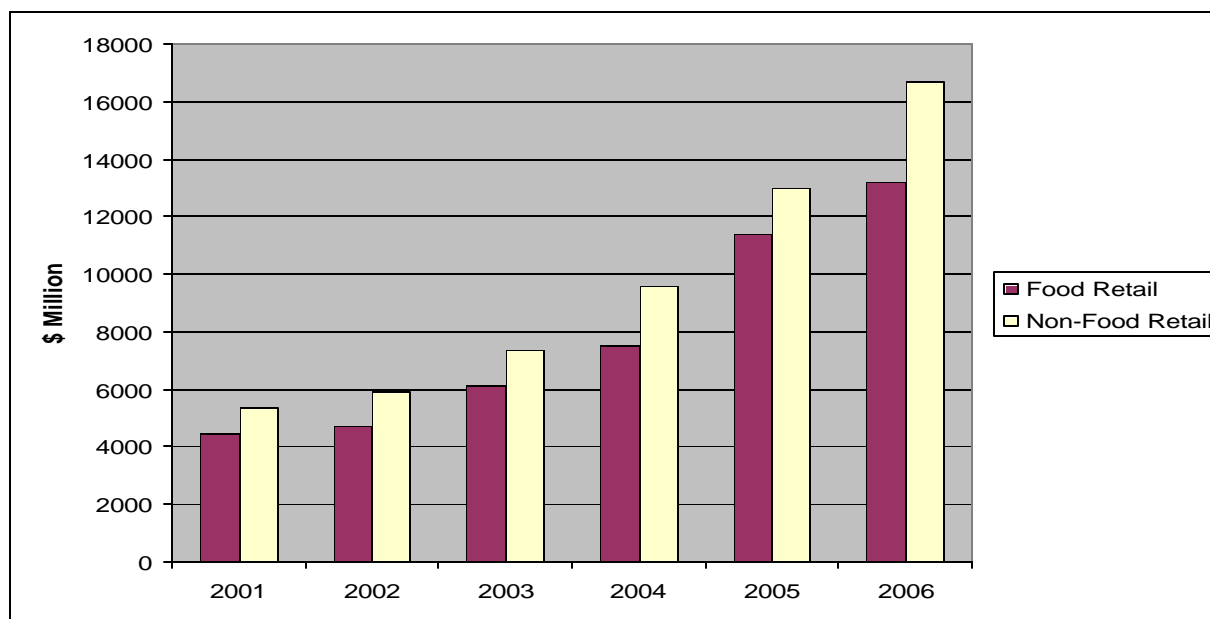
The rapid growth in Romania's retail sector is shown in Table 2, below. In 2001, total retail sales were valued at USD 9.8 billion and it expanded to USD 29.9 billion in 2006. It is unlikely that the Romanian retail sector will continue to grow at such a rate (205 percent in 5 years) but, growth over 10 percent a year for the foreseeable future is widely expected. This growth will be fuelled by increasing purchasing power and expanding modern retail.

Table 2. Total retail trade value, 2000-2006, USD million

Retail Sales	2001	2002	2003	2004	2005	2006
Food Retail	4,425.34	4,698.45	6,126.84	7,522.67	11,375.10	13,183.87
Non-Food Retail	5,346.02	5,937.77	7,367.65	9,587.36	12,946.09	16,671.74
Total Retail	9,771.36	10,636.22	13,494.49	17,110.03	24,321.19	29,855.61
Food sales (% of Total)	45.29	44.17	45.40	43.97	46.78	44.16

Source: National Institute for Statistics and FAS

Chart 3. Total retail trade value, 2001-2006



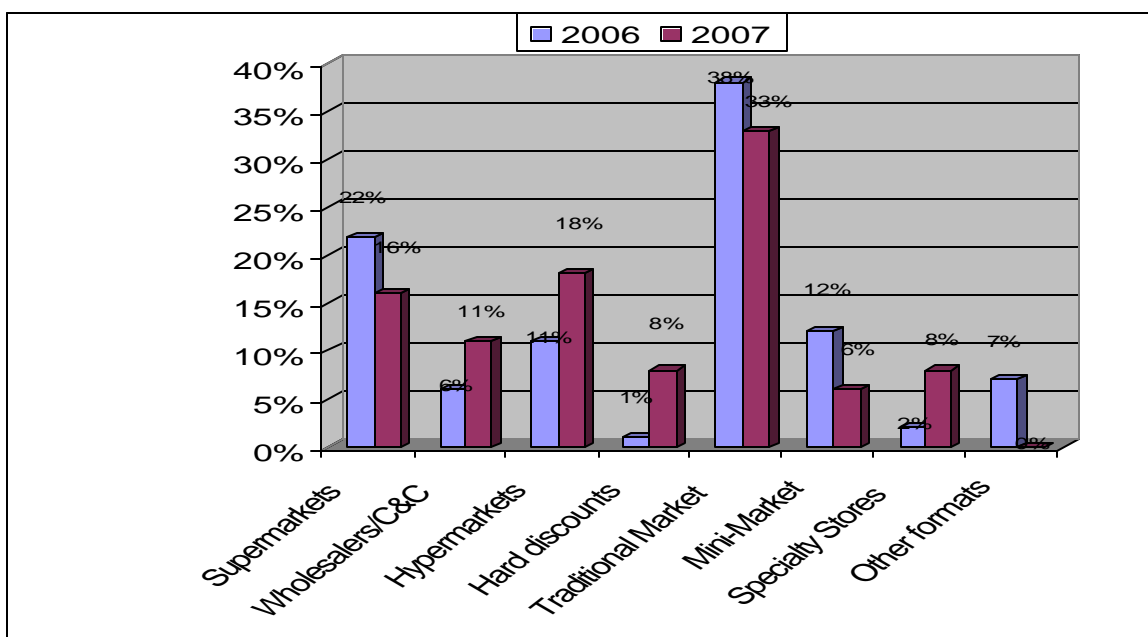
As the data indicate below, in 2007, 53 percent of retail was part of the modern retail sector, compared to 23 percent in 2004. This growth has even outstripped government and market research firms' predications. Chart 1 is the primary explanation for this extraordinary growth. The low starting point has allowed international retail firms ample opportunities in Romania. However, deeper market penetration in the major cities has resulted in two basic strategies for firms considering additional expansion.

Table 3. Retail market structure, Romania
2006 Vs 2007

Retail format	2006	2007
Supermarkets	22%	16%
Wholesalers/C&C	6%	11%
Hypermarkets	11%	18%
Hard discounts	1%	8%
Traditional Market	38%	33%
Mini-Market	12%	6%
Specialty Stores	2%	8%
Other formats	7%	0%

Source: GfK & Incoma Research

Chart 4. Retail market structure, Romania, 2004-2006



The first of these strategies is to replace supermarkets with hypermarkets in the first-tier cities and Bucharest. The result is indicated in Table 3, where the size of supermarkets share in modern retail actually declined, after years of strong growth. This strategy allows the hypermarkets to compete with the cash & carry store with regards to product breadth, while offering consumers better high end goods at reasonable prices. The second strategy is for hard discount firms to move to smaller cities to compete with cash & carry for rural

consumers and traditional markets and kiosk owners business. As the following table shows, the highest penetration of modern retail is to be found in smaller second and third-tier cities.

Table 4. Distribution of Modern Retail

City	Population	# of Stores	Store/100,000 Residents
Alba Iulia	66,747	5	7.49
Arad	167,980	7	4.17
Bacau	179,507	6	3.34
Baia Mare	140,581	6	4.27
Barlad	70,499	2	2.84
Bistrita	83,114	4	4.81
Brasov	281,375	7	2.49
Braila	216,814	4	1.84
Bucharest	1,931,236	66	3.42
Cluj	305,620	9	2.94
Constanta	305,550	9	2.95
Craiova	300,587	6	2.00
Deva	68,487	4	5.84
DR Turnu Severin	109,134	3	2.75
Focsani	100,782	2	1.98
Galati	296,697	4	1.35
Giurgiu	69,479	3	4.32
Hunedoara	71,902	3	4.17
Iasi	316,716	5	1.58
Lugoj	45,423	3	6.60
Miercurea Ciuc	42,085	2	4.75
Oradea	205,956	6	2.91
Petrosani	44,658	2	4.48
Piatra Neamt	108,940	1	0.92
Pitesti	170,217	3	1.76
Ploiesti	231,620	10	4.32
Resita	86,070	5	5.81
RM Valcea	111,658	5	4.48
Satu Mare	114,678	5	4.36
SF Gheorghe	62,021	3	4.84
Sibiu	154,452	5	3.24
Targoviste	90,339	6	6.64
Targu Mures	146,448	6	4.10
Timisoara	303,796	12	3.95
Average			3.76

Source: FAS

Bucharest, with a per capita income of more than three times the national average has seen accelerated growth of modern retail. The latest retail developments in Bucharest have been designed to take increased consumer sophistication and spending power into account. As can be seen in the table below, modern retail formats grew every year, with a total increase from 38 percent in 2004 to 57 percent in 2006.

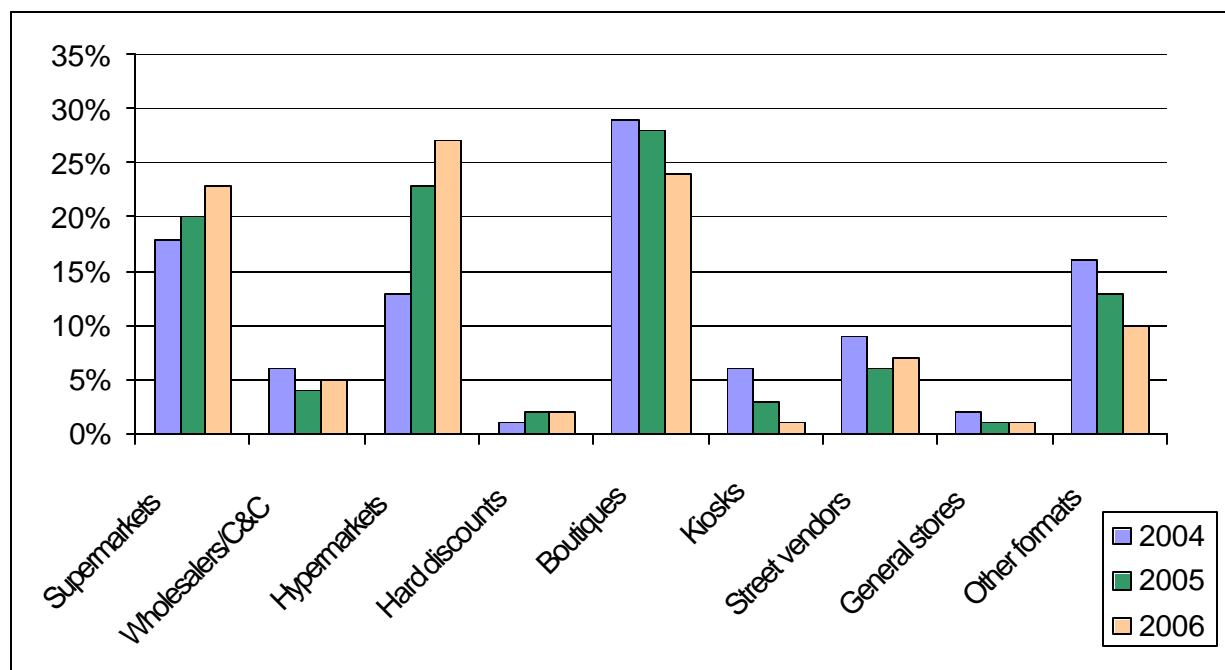
**Table 4. Retail market structure, Bucharest,
2004 vs. 2005 vs. 2006**

Retail format*	2004	2005	2006**
Supermarkets	18%	20%	23%
Wholesalers/C&C	6%	4%	5%
Hypermarkets	13%	23%	27%
Hard discounts	1%	2%	2%
Boutiques	29%	28%	24%
Kiosks	6%	3%	1%
Street vendors	9%	6%	7%
General stores	2%	1%	1%
Other formats	16%	13%	10%

Source: GfK Romania; *FMCG monitored categories

**January-June 2006

Chart 4. Retail market structure, Bucharest, 2004-2006



The situation in Bucharest is similar to the situation in Romania in general, in that the strong recent growth in modern retail has not saturated the market. Bucharest, as of January 2008, will have 217 sqm (GLA) per 1,000 people of modern retail space. When compared to other regional capitals, below, it is obvious that additional retail development will continue in the future.

Table 5. Modern retail density

City	GLA/ 1,000 People
Warsaw	500
Prague	400
Bucharest	217
Cluj	404
Galati	80

Source: Jones Lang Lasalle

Table 6. Most actively expanding firms

Compania	Existing Network	Planned 2008 expansion
Real Hypermarket	9	6
Auchan	1	4
Carrefour	7	3
PIC group	2	2
Kaufland	28	4
Penny Market	36	25
Billa	25	5
Spar	11	9
Plus Discount	42	22
Artima	19	8
Mega Image	20	4

Source: local media company announcements

Note the two firms with plans to expand by over 20 stores in 2008. Both are hard discount operations with a stated strategy of expanding in cities of less than 100,000 people.

Private labels

Private labels have been developed for the main food and beverages categories: cooking oil, flour, canned food, processed meats, peanuts, ketchup, mustard etc.

The main retail chains selling products under private label, both food and non-food products, are: Carrefour (Marca 1), METRO (Aro and METRO Quality), BILLA (Clever), Cora (Winny), Mega Image (365), KAUF LAND (K-Classic), PROFI and PLUS.

Billa sells around 150-250 products under CLEVER private label. Kaufland sells around 800-900 items under its private label K-Classic, out of the total products range of 15,000. Profi sells around 250 items incorporated in its private label PROFI, mostly fresh products and staple products, while Plus Discount sells around 350 items under its private labels, representing 35% of the total product range.

Advantages and Challenges facing U.S. Products in Romania

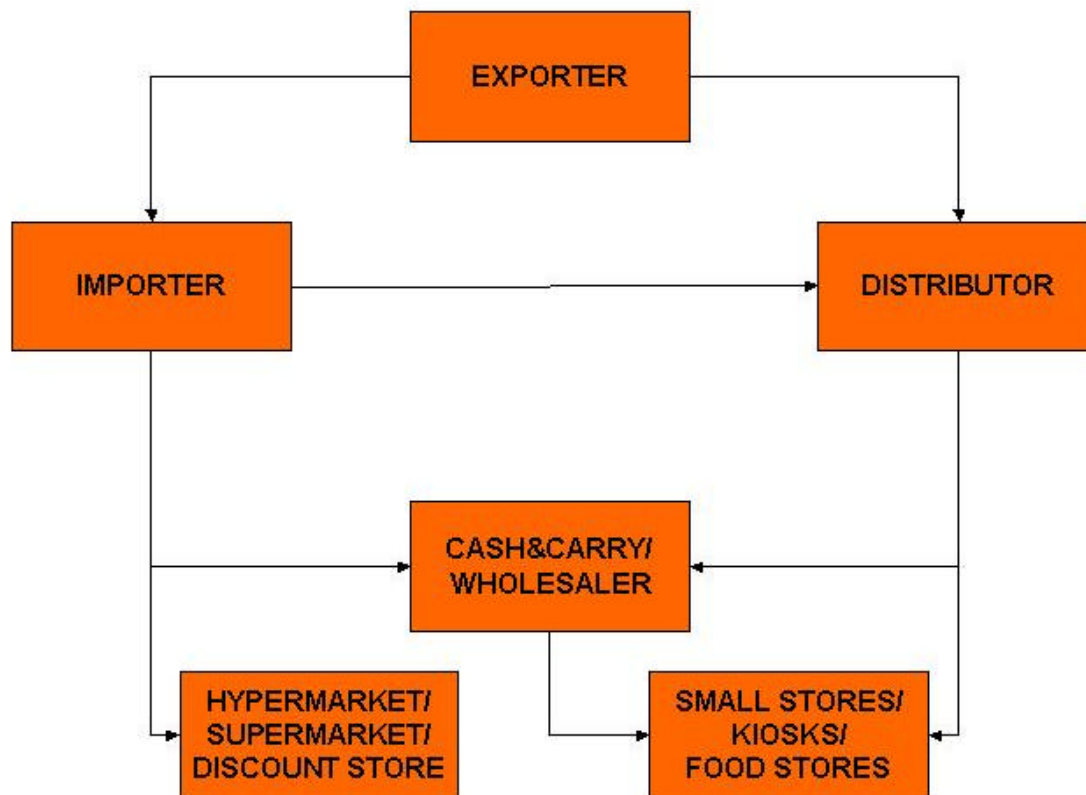
Advantages	Challenges
The growing retail industry is looking to diversify the range of food products	There are very high entry-costs to supermarkets for new product lines as well as additional marketing costs (advertising, discounts)
The retail expansion will allow more Romanians to access modern retail	EU accession imposed new barriers to entry for U.S. products. Notably in poultry and red meat products
Increasingly wealthy and sophisticated consumers desire an expanded product range	The relatively low purchasing consumer power, only a small segment of population affording buying novelty or very-good quality products
Weak U.S. dollar makes U.S. products more competitive	EU member states benefit of tariff preferences compared to U.S. when entering the Romanian market

With two new chains entering the Market in 2007, Spar and Auchan, the competition for customers has increased. This has driven the chains into smaller cities and to develop customer loyalty programs. The likely long-term outcome of this increase competition is lower prices for the consumer and more competitive pricing for floor space for new product line.

II. ROAD MAP FOR MARKET ENTRY

Retailers source their food and beverages products mostly from local suppliers, either domestic producers or importers. However, few supermarkets work directly with exporters, especially when dealing with private label products.

Diagram. How goods flow



One option for entering the market is for to work directly with importers or distributors, which are direct suppliers for these retailers and are familiar with existing legislation, trading practices and customers. Most importers/distributors have distribution channels with national coverage.

Small stores purchase food mostly from wholesalers/Cash&Carries. As the major part of retail structure is still made by the small food stores, it is important that the exported products reach these wholesalers.

Another type of strategy is for that the U.S. exporters find an exclusive, local representative. In this case, the representative would be totally dedicated to one company's segment of products and be responsible for all promotional activities (advertising, sampling).

Given the expansion of modern retail, some supermarkets and hypermarkets started to develop their own logistical centers hurting distributors. However, as the small kiosks and traditional stores will be reduced, but will not disappear, the distributors will still play an important role in the retail market. In the medium and long run, market concentration and consolidation is expected among distributors, as some of the companies might not have enough resources to fulfill the increasing needs of retailers.

III. MARKET STRUCTURE

A. HYPERMARKETS, SUPERMARKETS, CASH&CARRIES AND DISCOUNT SHOPS

Company Profiles

Retailer Name and Outlet Type	Ownership	Total Sales (\$Mil)	Current no. of outlets	Locations (City/Regions)	Purchasing Agent Type
METRO Cash&Carry www.metro.ro	German	\$2,240 (2006)	23	Bucharest (4) and 16 other big cities	Importer, Direct, Distributor
SELGROS, Cash&Carry www.selgros.ro	German	\$753.6 (2006)	17	Bucharest (3) and 14 big cities	Importer, Direct, Distributor
CARREFOUR, Hypermarket www.carrefour.ro	French	\$1,186 (2007) \$744 (2006)	11	Bucharest (5), Brasov, Cluj, Iasi, Constanta, Ploiesti, Braila	Importer, Direct, Distributor
CORA, Hypermarket www.cora.ro	Belgian	\$ 377.3 (2006)	3	Bucharest (2) and Cluj	Importer, Direct, Distributor
KAUFLAND, Hypermarket	German	\$55.3 (2006)	31	Bucharest (2), Iasi (3), Timisoara (2) and other cities (23)	Importer, Direct, Distributor
MEGA IMAGE, Supermarket	Belgian	\$88.9 (2006)	22	Bucharest (19), Ploiesti (1) Constanta (2)	Importer, Direct, Distributor
BILLA, Supermarket	German	\$439.6 (2006)	28	Bucharest and main cities	Importer, Direct, Distributor
G'MARKET Supermarket	Turkish	\$79 (2006)	7	Bucharest and Iasi	Importer, Distributor
ARTIMA, Supermarket	Romanian	\$114.8 (2006)	22	Medium-size cities in the western side of Romania	Direct, Distributor
REAL, Hypermarket	German	Entered in 2006	21	Bucharest, Timisoara	Importer, Direct, Distributor
XXL Mega Discount, Hard Discount	German	\$62 (2006)	5	Bucharest , Dambovită, Sibiu, Buzău,	Direct, Importer

				Braila	
Plus, Discount	German	\$186 (2007 fiscal)	50	Bucharest and medium-size cities	Importer, Direct, Distributor
PROFI, Discount	Belgian	\$107.3 (2007)	35	Center, southern and Western part of Romania	Direct, Distributor

Source: FAS, Market research companies, Specialized Magazines

Hypermarkets

Hypermarkets: Stores with more than 2,500 sqm (25,000 sq.ft) selling a wide variety of food and non-food items.

Carrefour was the first Hypermarkets chain to enter the Romanian market. Opening its first store in 2001, its growth has been impressive. Turnover has grown from 95 million Dollars in 2002 to over one Billion dollars in 2007. Carrefour plans to continue its expansion in Romania. In august 2007, Carrefour began the process of acquiring Artima. This acquisition allows to Carrefour to enter the supermarket segment as well. Additionally, Carrefour intends to invest \$100-200 million in 2008 as opportunities arise.

Louis Delhaize group currently operates 2 Cora hypermarkets in Bucharest as a result of USD100 million investment. The group opened another hypermarket in 2007 outside Bucharest, in Cluj-Napoca. Its product range counts about 50,000 items, of which about 20 percent represent imported products.

Real, the hypermarket division of METRO, opened its first hypermarket in Timisoara in 2006. A late comer to the Hypermarket segment has plans expand quickly. Real currently has a network of 14 stores, with plans to expand to 21 stores by the end of 2008.

Kaufland, the hypermarket division of Germany's Schwarz Group, has developed one of the most extensive networks in Romania. The first Kaufland outlet in Romania was opened in the summer of 2005 in Bucharest. The average selling space per store is 3,500-5,500 sqm. Kaufland targets equally cities with more than 100,000 people and smaller cities if opportunities exist. Outlets have been opened in the South (Bucharest, Ploiesti), but especially in the central-northern region (Rm. Valcea, Alba Iulia, Timisoara, Baia Mare, Tg. Mures, Galati, Cluj Napoca, Hunedoara, Satu Mare). Kaufland currently plans to invest over USD 160 million in 2008. Medium term plans include 5 new stores for Bucharest by 2009.

The Dutch retailer SPAR opened its first hypermarket in Tg. Mures in 2006. The French retailer Auchan intends to invest \$80-100 million into Romanian retail space over the course of 2008, almost doubling its network from 5 to 9 Hypermarkets. The expansion is expected to continue with 20 stores by 2010.

Supermarkets

Supermarkets: Stores with between 400 sqm and 2,500 sqm (4,000 to 25,000 sq ft) selling a wide variety of foods and non-food household goods

The German company Rewe opened its first Billa store in 1999 and currently the chain includes 28 outlets (with 6 outlets opened in 2007). The surface of the stores is 1,000-2,400 sqm/store, about 10,000 items being displayed.

The first GIMA store was opened in 1998 and the group currently manages 7 outlets in Bucharest and Iasi. In 2005, the company changed the outlet name from Gima to G'market. It carries about 40,000 items and the average store size is 5,000 sqm.

Mega Image has decided to focus on large markets, attempting to attract customers with ease of access over size and selection. Their average store is small, approximately 600 sqm. They have a current network of 22 stores in only 3 cities. The near term plans are to create 2 new stores in Bucharest and to develop a logistics center near Bucharest.

The Dutch retailer SPAR opened its first supermarket in Arad in 2006, followed by 12 more other stores in the central and western part of the country. For 2008 the company plans to expand with 12 more outlets.

Wholesalers / Cash&Carries

Cash & Carry: Membership style retail/wholesale stores with a varied selection of products sold under a warehouse style format. These stores have a broad product range in the food and non-food area.

Metro entered the Romanian market in 1996, selling about 35,000 items, mostly from local suppliers. Selling products under own labels, which do not require significant advertising and partnerships with local suppliers, is part of the retailer's strategy, the group operating the most well-known private label ARO.

Selgros C&C Romania consists of 17 outlets with a product range of 35,000 items each, both food and non-food. They intend to open 4-5 new outlets over the coming years, at least 2 are planned to 2008.

Hard Discount shops

Hard discounters: Small supermarkets with a limited range of low cost products, often private label.

Following the Central European model, many discount shops have begun focusing their expansion in smaller cities.

Plus, developed by the German group Tengelmann, entered the Romanian market in 2005 and currently has a network of 50 stores. The average investment per store is around USD1.8 million, though this is expected to increase as construction prices rise. They intend to have 170 stores by 2010.

Penny Market, a brand of the German Group REWE, along with XXL Mega Discount, is currently a chain of 50 outlets. Penny Market stores have a surface of 750 sqm and a product range of 1,200 items, of which food products count for about 80 percent. Most of the suppliers are domestic. Penny Market targets cities with less than 20,000 inhabitants. The plan over the next 12 months, by March of 2009, is to have 80 stores in Romania.

B. TRADITIONAL MARKETS

Traditional markets have managed to find some niches in Romania where they are able to stay compete. Even in cities, traditional markets continue to attract more than 50 percent of the market for fruits and vegetable.

Traditional markets continue to have strength in rural areas, where residents do not have access to modern retail. With the current push of modern retail into second-tier cities, traditional markets are going to be under more pressure.

The EU has decided not to strongly enforce some of the laws that will affect many of the Traditional markets. In Rural areas, meat and other goods (cheese products) can still be found at traditional markets. As increased compliance with EU law comes into affect some of the mentioned products will no longer be sold in traditional markets.

IV. COMPETITION

Product Category / Total Import value 2006 (thousands USD)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers
Pork meat Import 2006: Th. \$ 412,470	Germany (18%) United States (8.4%) Canada (23%) France (9%)	Good quality meat; Consistent supply; Short distance for EU member states	Insufficient domestic supply; low quality and high prices
Poultry meat Import 2006: Th. \$ 114,318	United States (28%) Brazil (48%)	Very competitive prices (especially for chicken leg quarters)	Ability to provide the market with fresh poultry meat; branded products; high prices for domestic production
Beef (chilled and frozen) Import 2006: Th. \$ 76,420	Brazil (92%) Austria (2%) Germany (1.1%)	Good quality meat; few sources in the region; ability to meet EU requirements	Very few specialized beef farms; reduced and seasonal supply (during fall)
Frozen fish and seafood Import 2006: Th. \$ 70,907	Norway (26%) Taiwan (14%) United States (4%) United Kingdom (2%) Canada (5%)	Competitive prices; favorable currency values	Species in demand are not domestically produced; domestic species are mainly seasonally available
Meat products Import 2006: Th. \$ 9,101	Hungary (32.5%) Spain (23%) Czech R. (1.1%) United States (1.2%)	Proximity	Well-establish meat-processing industry able to supply a large variety of products; highly protected market
Nuts, peanuts, almonds, pistachio Import 2006: Th. \$ 9,023	Turkey (16%) Iran (33%) United States (14%) Indonesia (6%)	Proximity; low prices; favorable currency value; very good quality products	Products not available on the local market
Processed fish Import 2006: Th. \$ 27,915	Thailand (65%) Poland (11%)	Preferential duties; good quality products for reasonable prices	Underdeveloped fish-processing units; low production

Pet food Import 2006: Th. \$ 92,076	Hungary (52%) The Netherlands (6%) Austria (4%) Germany (4%) United States (1%)	Preferential tariffs for certain types of pet food; well known brands	Emerging stage for domestic processing units; prohibition of bone meal usage in commercial animal feeding
Frozen vegetables Import 2006: Th. \$ 13,170	Belgium (44%) Poland (25%) Hungary (17%)	Good quality products at good prices; attractive packages	Low domestic supply; absence of competitive processing units
Fruits and vegetables juices Import 2006: Th. \$ 21,677	Ireland (16%) The Netherlands (12%) Austria (14%) Brazil (7%) Hungary (7%) United States (.8%)	Preferential tariffs for certain types of juices; very good quality products; attractive packages	Good local fruits production; low- value investment in processing-industry
Breakfast cereals Import 2006: Th. \$ 13,180	Poland (41%) Germany (21%) Hungary (4.2%) United States (.2%)	Proximity; reasonable prices; well known brands; attractive packages	Domestic supply available in a very narrow range and relatively low quality
Diary products Import 2006: Th. \$ 51,131	Germany (29%) France (10%) Poland (15%)	Proximity; free access on the local market for EU member states	Long tradition in milk production; increasing investment in milk processing
Wines Import 2006: Th. \$ 36,808	France (9%) Italy (15%) R. Moldova (65%) Hungary (1.3%) United States (0.01%)	Preferential tariff quotas; competitive prices	Very good local production in a relatively large variety
Distilled spirits Import 2006: Th. \$ 52,057	United Kingdom (51%) United States (16%) Germany (7%)	Good image for consumers; free access on the local market for EU member states	Focus on low and middle-income consumers sustained by strong promotional campaigns
Sweetened and flavored water Import 2006: Th. \$ 30,905	Austria (37%) Poland (4.8%) Hungary (22%) United States (3.6%)	Preferential tariffs; very good quality products	Very limited investment in this area; highly protected market
Beer Import 2006: Th. \$ 3,436	Germany (34%) The Netherlands (15%) Belgium (11%) Poland (1.3%)	Free access on the local market for EU member states	Strong local industry; strong brand awareness supported by heavy publicity campaigns

V. BEST PRODUCT PROSPECTS**Category A: Products Present in the Market Which Have Good Sales Potential**

Product Category	2006 Imports (MT/HL)	2005 Imports (MT/HL)	Key Constraints to market development	Market Attractiveness for USA
Fish & seafood, fresh and frozen	80,389 MT	67,311 MT	Seafood consumption is limited; low purchasing power; consumers' preference for species in a lower supply	Good perspectives for fish-processing industry expansion; market access maintained after EU access
Nuts/Peanuts/Almonds	3,425 MT	2,403 MT	Preferential tariffs for certain competitors	Superior quality products; increasing demand for processed products
Distilled spirits	23,836 HL	22,927 HL	High tariffs, high excises; market affected by fiscal evasion	Lower duties after EU accession; very good image for consumers

Over the course of 2006, Romania began to implement veterinary orders to comply with EU regulations. These orders affected poultry and pork most severely. After years of strong demand for U.S. products, 2007 saw no U.S. export of these products to Romania.

Starting June 8th, 2006 all importation of US poultry ended. The U.S. establishments must receive EU health certification if they wish to begin exporting to Romania again. If it was to do so a market of at least USD 50 million would exist for U.S. products.

U.S. Swine exports were also suspended due to a veterinary order. Veterinary order 53/2005 went into effect on October 1, 2006. No noticeable amounts of U.S. Pork have been imported since. The market for swine has continued to expand in Romania. If the U.S. were to undertake certification the likely market for U.S. pork would be over USD 60 million.

American Spirits have a strong demand in Romania, particularly bourbon, which is seen as a luxury good in Romania. Unfortunately, it must compete with scotch from the UK, where EU trade barriers are not an issue. As Romanians' income increases, American spirits will fare well.

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2006 Imports (MT/HL)	2005 Imports (MT/HL)	Constraints over market development	Market Attractiveness for USA
Fruits and vegetables juices	195,900 HL	124,300 HL	High duties; increasing domestic competition	Increasing demand for high-quality natural juices
Dried fruits	785 MT	1,136 MT	High duties	Consumers' tastes diversification
Wines	71,333 HL	46,000 HL	Strong domestic and foreign competition	Demand for niche wine varieties sold through specialized stores
Meat products	3,824 MT	3,814 MT	Strong domestic industry; brand awareness supported by aggressive campaigns	Demand for niche products
Pet food	147,193	122,000	Consumers preference for well-known brands	Increasing demand as people change life style; low interest for domestic investment in manufacturing pet food

Category C: Products Not Present Because They Face Significant Barriers

Breakfast cereals: strong European competitors; extremely high import duties
Dried and frozen vegetables: strong European competitors, extremely high import duties
Sweet products and chocolate: low purchasing power, strong domestic competition
Sweetened and Flavored water: high tariffs

VI. POST CONTACT AND FURTHER INFORMATION

If you have any questions regarding this report or need assistance exporting to Romania, please contact us at:

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